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SUBJECT: POWER IN PUNJAB: LIMITED OPTIONS FOR ADDING SUPPLY,
OVERLOOKING EFFICIENCY

REF: A. A. LAHORE 154

[1](#)B. B. ISLAMABAD 1724

[1](#)1. (SBU) Summary: The Punjab provincial government is increasingly concerned about persistent rolling blackouts, but has few options to respond to the electricity crisis. In a July 28 meeting with A/PO, son of the Chief Minister and Member of the Provincial Assembly, Hamza Sharif, acknowledged the necessity of the central government's three-point plan to meet the energy crisis: installing short-term rentals, paying off the "circular debt," and developing long-term power generation projects. Punjab officials said they have several small electricity generation projects under way, but most power projects (including all private sector power projects over 50 MW) are in the federal domain, and the provincial bureaucracy lacks the skills to drive such programs. Even if the province had the funds and the expertise, the Pakistan Muslim League-Nawaz (PML-N)-led Punjab government must strike a careful balance between improving conditions and becoming associated with a problem that is otherwise an albatross around the neck of the Pakistan People's Party (PPP) federal government. Given its constraints, Punjab's best option may be to focus on energy efficiency instead of generation. End Summary.

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LIGHTS OUT? LOCAL IMPACT OF A NATIONAL CRISIS

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[1](#)2. (SBU) Trade groups and sweltering citizens took to the streets in Punjab province during the week of July 20 to protest massive disruptions of electricity supplies. In the most extreme incident, marchers in Jhang district burned four railway cars (reftels). Internal federal Water and Power Development Authority (WAPDA) estimates shown to Econoff July 28 put the current supply demand gap in Punjab alone at 3,000 megawatts (MW), and growing.

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HAMZA SHARIF WORRIED ABOUT BLACKOUTS

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13. (SBU) In a July 28 meeting with Acting Principal Officer, son of the Chief Minister and Member of the Provincial Assembly (MPA), Hamza Sharif, offered begrudging support for the central government's plans to meet the energy crisis, which the Chief Minister discussed with Prime Minister Gilani in a July 26 summit in Lahore. The PML-N has accepted the necessity of rental power projects, which will start in December and last for approximately three years. He acknowledged, however, that rental power generation is an expensive and temporary fix. In the medium-term, the federal government must take care of the "circular debt" problem, Hamza stated. Finally, in the long term, the province and federal government must work together to identify viable power generation projects that could add to capacity. "We need to move beyond Kalabagh and work together on other sites" that could generate electricity, he underlined. [Note: Kalabagh is a decades old proposal for a mega dam and hydro-electric project on the upper Indus River. Punjab supports the controversial project but the other provinces are firmly opposed to it. End Note.] "India has added over 60 dams on its side; we need to do the same," he added.

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PROVINCIAL EFFORTS TO ADD SUPPLY

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14. (SBU) Punjab Secretary of Irrigation and Power Azam Khan told Econoff July 28 that Chief Minister Shahbaz Sharif has expressed concern about power outages since 2008, and had pressed for the Irrigation and Power Department to invigorate the power sector. In November 2008 the Chief Minister led a trade delegation to China where he signed several Memoranda of Understanding on economic cooperation, including one for work on hydroelectric power projects in the province. Azam divulged that the province would likely select a Chinese firm for the 120MW Taunsa Barrage hydro-electric project now out to bid.

15. (U) The government of Punjab has initiated few power projects, Azam admitted, and most of those under consideration are still in the study or planning phases. New generation that has reached the Request for Proposal (RFP) stage under provincial efforts totals 470MW, but none of that power will come on line soon. In addition to Taunsa Barrage, the province has:

- Requested letters of interest for developing a 100MW power station to be located in the Chakwal/Khushab coal area. [Note: Post has conveyed a request for Trade and Development Assistance funds for the province to conduct a coal survey in the area. End Note.]

- Requested letters of interest for 50MW captive power plants to serve each of four industrial estates in the province for a total contribution of 200MW.

- Requested letters of interest for developing a 48MW solar power plant in southern Punjab.

- Identified 317 potential hydro-electric sites on existing Punjab canals and barrages that require feasibility studies which could contribute an estimated 600MW.

- Identified 48 potential new micro hydro-electric sites with a total of 350MW that still require feasibility studies.

- Hired consultants to study potential for wind power along a 250 kilometer corridor from Kallar Kahaar to Mianwali.

[Note: The provincial government is allowed to lead the larger Taunsa Barrage and Chakwal/Khushab Coal projects because they are being developed as public private partnerships. End Note.] Punjab's efforts may ease the electricity crisis in years ahead, but Khan cautioned that the province lacks the funds for feasibility studies and the expertise (and in some instances the authority) to lead power development projects.

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PUNJAB IRRIGATION AND POWER DEPARTMENT: POWER IN NAME ONLY

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16. (SBU) Azam and a deputy, Muhammad Yaqoob, said that historically, the power side of the Punjab Irrigation and Power Department (PIPD) was "not active." Finance and personnel have instead focused on the irrigation system, they recounted. In spite of the Chief Minister's directive to target the power sector, Azam acknowledged that PIPD faced two significant hurdles to play a more effective role: 1) insufficient funds, either locally generated or from the central government, and 2) lack of talent to deliver the projects. The federal government dominates the energy sector, he added. All private sector power projects over 50MW are federal by definition, he explained, but even smaller projects that could theoretically be handled at the provincial level are effectively dependent on central government money and expertise. Even hydro-electric projects placed in the Punjab irrigation system were driven by the federal Water and Power Development Authority (WAPDA). The province has little technical talent on hand, Azam said, because the qualified labor

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available is drawn to the large programs and better compensation of the central government or private consultancies, leaving PIPD without the capacity to undertake power projects at the provincial level. Mujtaba Piracha, Program Director of the Punjab Resource Management Program (PRMP) and the leader of capacity building efforts in the provincial government, offered the same assessment to Econoff in an interview in June. He said PRMP mirrors the PIPD approach and remains largely focused on the richer talent pool dedicated to irrigation issues. Azam added that PIPD "only wants to get into things which we know how to handle." That actually excludes power opportunities envisioned under the law as provincial topics, including captive power and small biomass fueled cogeneration plants.

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FEDERAL GOVERNMENT CONTROLS THE SWITCH, PLUGS INTO CORRUPTION

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17. (SBU) The dominant role of the central government means that potential power producers must at least coordinate with the federal bureaucracy. Numerous sugar mill owners with an interest in cane processing byproduct ("bagasse") fired cogeneration power plants told an interagency delegation in May 2009 that they could not advance their projects at the provincial level because the central government controlled the pricing and concessions mill owners were seeking. Some expressed reservations about the transparency of the federal

process, a concern raised by other post contacts as well. Members of two prominent business families told Econoff that they have slowed or stopped federal power projects in the past because of the expectation of bribes. Both added that they viewed the provincial government as "significantly less corrupt."

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COMMENT: PUNJAB SHOULD LOOK TO ENERGY EFFICIENCY TO AVOID A MELTDOWN

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18. (SBU) Comment: The provincial government has extremely limited capacity to improve the power supply situation, but faces the same popular backlash as the federal government. As the central government follows through with the painful but necessary commitment to set electricity tariffs at the actual cost of service, provincial fears that public unrest will again boil over if blackouts continue are quite real. Given provincial constraints, Punjab's best option may be to focus on the areas over which it can exert more influence: the demand side of the equation. USAID and the Asian Development Bank have argued that energy efficiency initiatives could quickly and cheaply have a positive impact on Pakistan's power crisis, but the province has not seriously explored a campaign to change consumer behavior, nor support for efficiency programs at the regional distribution companies. USAID is already working on a model project with the Multan Electric Supply Company to manage demand timing, improve efficiency, reduce theft, and boost revenue. The project's impact could be enhanced by a coordinated partnership with the Punjab government. A provincial focus on energy usage leaves the federal government solely responsible for addressing inadequate supplies. With support from foreign assistance programs, Punjab could make a meaningful contribution to solving the energy problem. End Comment.
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